

HART CEMETERY COMMISSION
AUDITED FINANCIAL STATEMENTS

December 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------|---|------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Unit Name Hart Cemetery Commission | County Oceana |
| Fiscal Year End 12/31/05 | Opinion Date 7/11/06 | Date Audit Report Submitted to State 7/21/06 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


| | | | |
|--|-------------------------------------|--|-------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Hendon & Slate P.C. | | Telephone Number (231) 924-6890 | |
| Street Address 711 West Main | | City Fremont | State MI |
| | | Zip 49412 | |
| Authorizing CPA Signature  | | Printed Name Jack Hendon | License Number 11283 |

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HART CEMETERY COMMISSION

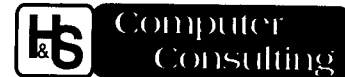
Board Members

| | <u>Position</u> |
|----------------|-----------------|
| Ron La Porte | Chairperson |
| Jay McGhan | Vice Chair |
| Yvonne Kessler | Trustee |
| Karen Urick | Trustee |
| Robert Wilson | Trustee |

HS & Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Hart Cemetery Commission
Oceana County
Hart, Michigan 49420

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of Hart Cemetery Commission, as of and for the year ended December 31, 2005, as listed in the table of contents. These general purpose financial statements are the responsibility of the Commissions' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note A, the Commission's policy is to prepare its financial statements on the basis of cash receipts and disbursements: consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Commission's governmental activities are not reasonably determinable.

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

Hart
1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

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In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the cash balances of Hart Cemetery Commission, as of December 31, 2005 and the revenues received and expenditures paid for the year then ended in conformity with generally accepted accounting principles.

Hendon & Slate

Hendon & Slate, P.C.

Certified Public Accountants

July 11, 2006

HART CEMETERY COMMISSION

Combined Statements of Assets and Liabilities Arising from Cash Transactions
All Fund Types and Account Groups
December 31, 2005

| | <u>Governmental</u> | | Totals (Memo Only) |
|--|------------------------|-----------------------------------|--------------------------|
| | <u>Fund Types</u> | <u>Account Groups</u> | |
| | General <u>Fund</u> | General Fixed <u>Assets</u> | |
| Assets and Other Debits | | | |
| Cash | \$ 35,916 | \$ - | \$ 35,916 |
| Property and Equipment | - | 92,810 | 92,810 |
| Total Assets | <u>\$ 35,916</u> | <u>\$ 92,810</u> | <u>\$ 128,726</u> |
| | | | |
| Liabilities, Fund Equity, and Other Credits | | | |
| Liabilities | | | |
| Payroll Liabilities | \$ - | \$ - | \$ - |
| Fund Equity and Other Credits | | | |
| Investments in General Fixed Assets | - | 92,810 | 92,810 |
| Fund Balance | <u>35,916</u> | <u>-</u> | <u>35,916</u> |
| Total Fund Equity and Other Credits | <u>35,916</u> | <u>92,810</u> | <u>128,726</u> |
| Total Liabilities, Fund Equity, and Other Credits | <u>\$ 35,916</u> | <u>\$ 92,810</u> | <u>\$ 128,726</u> |

The Notes to the Financial Statements are an integral part of this statement.

HART CEMETERY COMMISSION

Combined Statement of Revenues Collected, Expenditures Paid, and Changes
in Fund Balance - All Governmental Fund Types
For the Fiscal Year Ended December 31, 2005

| | General <u>Fund</u> |
|---|------------------------|
| Revenues | |
| Charges for Services | \$ 34,455 |
| Property Taxes | 45,415 |
| Contributions | 27,000 |
| Interest | 223 |
| Dues | 120 |
| Other | <u>(934)</u> |
| Total Revenues | 106,279 |
| Expenditures | |
| Wages | \$ 54,038 |
| Payroll Taxes | 6,148 |
| Repairs and Maintenance | 4,513 |
| Utilities | 3,448 |
| Auto Fuel | 2,436 |
| General Insurance | 3,812 |
| Workers Comp | 2,105 |
| Office Expenses | 571 |
| Professional Services | 500 |
| Penalties and Interest | 4,587 |
| Prior Year's Payroll Taxes | 6,458 |
| Miscellaneous | <u>251</u> |
| Total Expenditures | <u>88,867</u> |
| Excess Revenues Over (Under) Expenditures | 17,412 |
| Fund Balance - Beginning of Year | <u>18,504</u> |
| Fund Balance - End of Year | <u>\$ 35,916</u> |

The Notes to the Financial Statements are an integral part of this statement.

HART CEMETERY COMMISSION

Combined Statement of Revenues Collected, Expenditures Paid, and Changes
in Fund Balance - General Fund - Budget and Actual
For the Fiscal Year Ended December 31, 2005

| | <u>Budget</u> | <u>Actual</u> | Favorable (Unfavorable) |
|---|---------------|---------------|----------------------------|
| Revenues | | | |
| Charges for Services | \$ 26,500 | \$ 34,455 | \$ 7,955 |
| Property Taxes | 37,000 | 45,415 | 8,415 |
| Contributions | 34,000 | 27,000 | (7,000) |
| Interest | 500 | 223 | (277) |
| Dues | 120 | 120 | - |
| Other | - | (934) | (934) |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | 98,120 | 106,279 | 8,159 |
| Expenditures | | | |
| Wages | 57,412 | 54,038 | 3,374 |
| Payroll Taxes | 10,993 | 6,148 | 4,845 |
| Repairs and Maintenance | 9,005 | 4,513 | 4,492 |
| Utilities | 3,787 | 3,448 | 339 |
| Auto Fuel | 2,500 | 2,436 | 64 |
| General Insurance | 4,000 | 3,812 | 188 |
| Workers Comp | 3,000 | 2,105 | 895 |
| Office Expenses | 571 | 571 | - |
| Professional Services | 500 | 500 | - |
| Penalties and Interest | - | 4,587 | (4,587) |
| Prior Year's Payroll Taxes | - | 6,458 | (6,458) |
| Capital Outlay | 5,000 | - | 5,000 |
| Miscellaneous | 384 | 251 | 133 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 97,152 | 88,867 | 8,285 |
| | <hr/> | <hr/> | <hr/> |
| Excess Revenues Over (Under) Expenditures | 968 | 17,412 | 16,444 |
| | <hr/> | <hr/> | <hr/> |
| Fund Balance - Beginning of Year | | 18,504 | |
| | | <hr/> | |
| Fund Balance - End of Year | | \$ 35,916 | |
| | | <hr/> | |

The Notes to the Financial Statements are an integral part of this statement.

HART CEMETERY COMMISSION

Notes to the Financial Statements
December 31, 2005

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Commission's significant accounting policies applied in the preparation of the accompanying financial statements follows. The accounting practices followed by the Commission are those prescribed by the State of Michigan.

1. REPORTING ENTITY

The financial statements include all activities of the Commission. There are no governmental departments, agencies, institutions, commissions, public authorities or organizations with the Commission, over which its elected officials may exercise oversight responsibility, that have the Commission's power and includes but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

2. BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Hart Cemetery Commission. Revenues are derived primarily from contributions, charges for services, and interest on investments.

Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decrease (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds.

No depreciation has been provided on general fixed assets.

Assets purchased are recorded as expenditures in the governmental funds and were capitalized at a cost in the General Fixed Assets Account Group. The account group is not a "fund." It is concerned only with the measurement of financial position. It is not involved with measurement of results.

Because of their spending measurement focus, expenditure recognition for governmental funds is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long term amounts are not recognized as governmental fund expenditures or fund liabilities. They would instead be reported as liabilities in a General Long-Term Debt Account Group.

3. BASIS OF ACCOUNTING

A. Governmental Funds-The Accounting policies of the Commission do not conform to generally accepted accounting principles as applicable to governmental units in that cash basis of accounting is utilized by all governmental funds rather than the modified accrual basis of accounting. Consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when obligation is incurred.

4. BUDGETS AND BUDGETARY ACCOUNTING

Public Act 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Commission's actual expenditures and appropriations for the budgetary fund have been shown on a functional basis. The budget reflected in the financial statements is the final amended budget. All appropriations lapse at the end of the fiscal year. The approved budgets for the commission for these budgetary funds were adopted to the line item level. The following over expenditures occurred:

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|---------------|---------------|-----------------|
| Penalties and Interest | - | 4,587 | (4,587) |
| Prior Year's Payroll Taxes | - | 6,458 | (6,458) |

5. ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

6. ENCUMBRANCES

The Commission does not utilize encumbrance accounting.

NOTE B CASH DEPOSITS

1. Legal or Contractual Provisions for Deposits and Investments
Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 196, Public Acts of 1997, states the District by resolution may authorize investment of surplus funds as follows:

- A. In bonds, securities, and other obligations of the United States or an agency or instrumentally of the United States.
- B. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with Subsection (2).
- C. In commercial paper rated at the time of purchase within the two highest classification established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- D. In repurchase agreements consisting of instruments listed in A.
- E. In bankers' acceptances of United States banks.
- F. In obligations of this state or any of its political subdivisions that at the time of service.
- G. In mutual funds composed of investment vehicles which are legal for direct investment by a public corporation with further details in the act.
- H. In obligations described above if purchased through an interlocal agreement under the urban cooperations act of 1967.
- I. In investment pools organized under the local government investment pool act of 1982 and 1985.

2. Types of Deposits and Investments

Deposits are carried at cost. The Commission maintains all of its cash deposits in one financial institution held in the Commission's own name. All of the Commission's deposits are insured by Federal Deposit Insurance Corporation (FDIC).

| <u>Bank/Account</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|------------------------|----------------------------|-------------------------|
| Fifth Third Bank | | |
| Checking | \$25,848 | \$ 27,852 |
| Certificate of Deposit | <u>10,000</u> | <u>10,000</u> |
| Total Deposits | <u>\$35,848</u> | <u>\$ 37,852</u> |
| Petty Cash | | |
| Office | 20 | |
| Sexton | <u>48</u> | |
| Total Cash | <u>\$35,916</u> | |

NOTE C CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

| | Balance 12/31/2004 | Additions | Deletions | Balance 12/31/2205 |
|-------------------------|-----------------------|-------------|-------------|-----------------------|
| Land | \$ 1,560 | \$ - | \$ - | \$ 1,560 |
| Buildings | 13,740 | - | - | 13,740 |
| Furniture and Equipment | 77,510 | - | - | 77,510 |
| Total | <u>\$ 92,810</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 92,810</u> |

NOTE D TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements - overview are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in accordance with generally accepted accounting principles. Neither is such data comparable to a consolidation, interfund eliminations have not been made in the aggregation of this data.

NOTE E RISK MANAGEMENT

destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE F PROPERTY TAXES

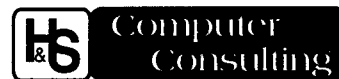
Beginning in 2003, the Commission began collecting property taxes levied by the City of Hart and Hart Township. The 2005 taxable valuation of the City of Hart and Hart Township totaled \$106 million, on which ad valorem taxes levied consisted of .9956 mills for cemetery

The delinquent real property taxes of the City of Hart and Hart Township are purchased by the County of Oceana. The 2005 delinquent taxes will be received by the Commission July, 2006 but have not been recorded as revenue for the year ended December 31, 2005 as the Commission utilizes the cash basis of accounting.

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Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



July 26, 2006

Hart Cemetery Commission
Oceana County, Michigan

Dear Commission Members:

In connection with our audit of Hart Cemetery Commission as of and for the year ended December 31, 2005, we offer the following comments and recommendations.

BOOKS AND RECORDS

We were pleased to see that Hart Cemetery has converted their accounting system to QuickBooks. We did note in our audit that there were several cash balances that were not correct. There were old cash accounts that had been closed at the bank and not removed from your accounting system. We believe your new system, when properly maintained, will greatly improve your financial reporting capabilities.

As detailed on page 5 of the audit report, Hart Cemetery paid over \$4,500 in penalties and interest from unpaid prior year's payroll taxes. This situation has now been corrected and it appears as though all prior payroll taxes have been paid. We did note that the Cemetery has actually overpaid approximately \$3,200 for MESC and \$1,035 for federal unemployment taxes in 2005. Your accounting software is not calculating these taxes correctly. This problem has been solved for 2006, but the Cemetery should amend prior year's payroll returns to obtain refunds on the overpaid taxes. We would be happy to assist you in obtaining these refunds.

We noted that during our audit that the Cemetery is not verifying property taxes collected from the City of Hart or Hart Township. We obtained settlement sheets and traced the taxes received by the Cemetery to the County settlement sheets. All taxes appear to have been properly collected. As an additional control each year, we recommend the Cemetery obtain settlement sheets from the County to verify the collecting units have remitted the proper taxes to the Cemetery.

The Cemetery currently maintains a fixed asset inventory of property and equipment. We did note that there is currently no capitalization policy on what items should be added to the inventory each year. We recommend the board set a

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
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Whitehall
116 West Colby, Suite B
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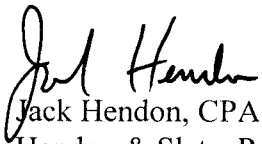
July 26, 2006

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dollar amount that would determine if an item such as a lawn mower, pruning equipment, etc., would be capitalized or written off as a supply. Many units of government choose a \$500 threshold as a level they consider to be significant. However, each individual unit can determine their own dollar amount. The important issue is to establish a policy that your accounting staff can use as a guideline to know whether or not an item should be added permanently to inventory. Your inventory should be reviewed annually and deletions and additions should be made.

Thank you for the courtesy extended to us during the audit. We look forward to a continued relationship with Hart Cemetery Commission. If you have any questions regarding the audit report, this letter, or any other communication, please do not hesitate to call.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jack Hendon". The signature is fluid and cursive, with the first name "Jack" and last name "Hendon" clearly distinguishable.

Jack Hendon, CPA

Hendon & Slate, P.C.

Certified Public Accountants